

Introduction

This Property Values Report was commissioned by Toll Brothers from Strategic Economics, Inc., a Bay Area firm. This report is the report that was released by Toll Brothers. (There is an earlier version of the exact same report that listed the City as a recipient (after "To"), but there are no other changes.) The City received this report as a PDF document and has not altered it in any way.

The City's concern about this report is that, while it provides information about property values in the areas immediately adjacent to the properties that were studied, it does not provide information about property values citywide. City staff felt that citywide property value changes would be useful information to make comparisons and better understand this information. The City asked Toll Brothers to add that additional information and was planning to put this report on the web site when that data was provided. However, since the City has received requests for this report, it has been placed on the web site.



MEMORANDUM

Date: 16 September 2004

To: Kelly Snider, Toll Brothers

From: Shanti Breznau, Senior Associate
Strategic Economics

Project: Toll Brothers Proposed Project at 100 Mayfield Avenue in Mountain View

Subject: Impacts of New Attached Housing on Surrounding Single Family Home Values

Residents of the neighborhood adjacent to the proposed Toll Brothers development at 100 Mayfield Avenue in Mountain View have expressed concerns about potential impacts the development could have on single family home values in the area. This memorandum was drafted by Strategic Economics to help address community concerns regarding such potential impacts. This brief response to these concerns assembles both primary and secondary information concerning the relationship between new attached residential development (both ownership and rental) and property values in nearby existing single family residential areas.

First, the memorandum reviews existing literature and data on the impacts that new attached residential development can have on neighboring property values. Second, recent local examples of attached projects in Mountain View and San Jose are profiled in terms of single family price appreciation during the timeframe of their development. While these examples are not precisely comparable to the proposed Toll Brothers project, neither in terms of development program nor the surrounding neighborhood context, they serve to illustrate that new attached residential development occurs without negative impacts to surrounding neighborhoods.¹

¹ Exact local comparable examples do not exist to the knowledge of Strategic Economics and the City of Mountain View.

Does Attached Housing Lower Property Values in Adjacent Single Family Neighborhoods?

National and local studies indicate that new attached housing does not negatively affect surrounding single family home values:

- According to the American Housing Survey, between 1987 and 1997, annual housing price appreciation for single family homes within 300 feet of a multifamily building was 3.9% as compared with 3.6% where no multifamily building was within 300 feet.
- Between 1997 and 1999, the average annual appreciation rate for single-family homes within 300 feet of a multifamily building was 2.9% in comparison with 2.6% where no multifamily building was within 300 feet.¹
- In the Bay area, new housing developments that are rental and restricted to low-income households have not had negative impacts on the property values of surrounding single family homes.² Since Toll Brothers is proposing housing which is for sale and market-rate, and therefore more similar to the area's single family homes, it is even less likely that the Toll Brothers project would negatively affect the neighboring area's property values than an affordable, rental project.³

Units in the proposed project will be comparable in value to surrounding single family homes:

- Toll Brothers estimates that sales prices for the various types of attached units will range between \$500,000 and \$800,000. These prices are in-line with re-sale transactions of single family homes in the adjacent neighborhoods.⁴
- New attached residential projects that are well-built and designed and attuned to the desires of its target market segment will be of high value and appreciate over time.

Today an increasing number of Americans are choosing to live in attached housing:

- Nationally, the average household size has declined from 3.35 people in 1960 (the approximate age of homes in the surrounding neighborhoods) to 2.59 people in 2000. Smaller households are more likely to choose attached housing.
- Condominiums are increasingly popular with young professionals and older empty-nesters.

¹ The American Housing Survey is conducted by the Bureau of the Census for the Department of Housing and Urban Development (HUD); the national survey includes an average of 55,000 housing units and is conducted every 2 years. The data sets collected in 1997 and 1999 are the most recent for which a price appreciation analysis correlated to neighborhood factors has been performed. The time periods 1987 to 1997 and 1997 to 1999 were aggregated separately because of changes in the survey methodology.

² Cummings, Paul and John Landis, "Relationships Between Affordable Housing Developments and Neighboring Property Values," Institute of Urban and Regional Development, U.C. Berkeley, 1993.

³ The majority of existing research on the property value impacts of attached residential projects on single-family detached homes has focused exclusively on income-restricted (or "affordable") rental projects. This is because market-rate projects are typically of less concern to local area residents.

⁴ Between September, 2002 and September, 2004, the median single family homes sales price on the surrounding streets of Betlo Ave., Dell Ave., Ruth Ave., Anna Ave., Diablo Ave., Aldean Ave., Nita Ave., and Whitney Dr. was \$611,000, or \$500 per square foot.

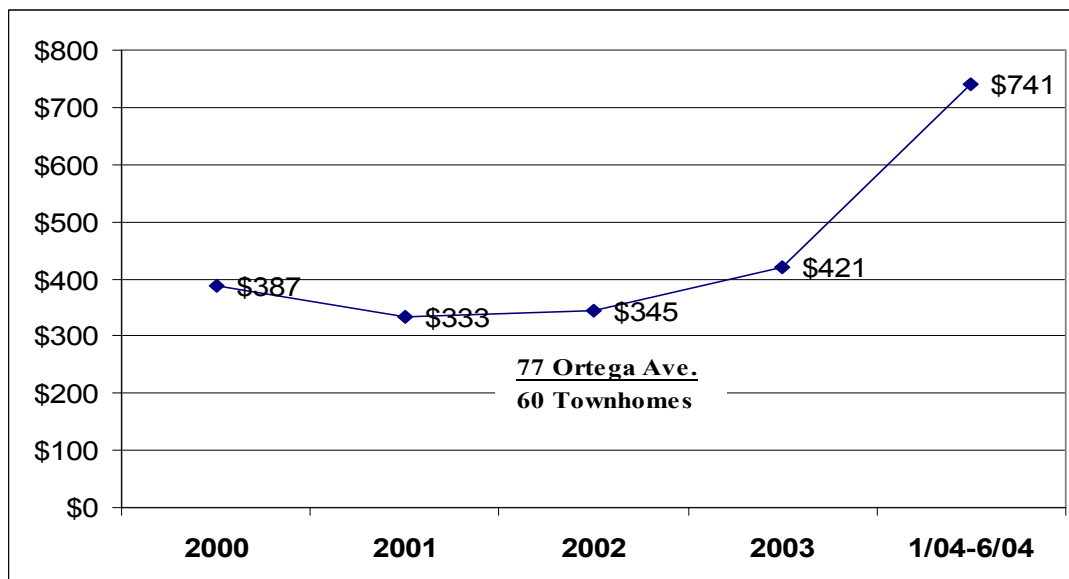
Examples of Attached Housing near Single Family Neighborhoods in Mountain View and San Jose

The following section profiles single family home prices before, and subsequent to, the development of market-rate attached housing in the vicinity. While the projects and neighborhoods analyzed are not precisely similar to the Toll Brothers' proposal or the neighborhood surrounding the Mayfield site, these examples provide the best available points of comparison in the local market.⁵

77 Ortega Avenue, Mountain View

Located at 77 Ortega in the San Antonio neighborhood of Mountain View, a 60-unit condominium development was constructed in 2002. The project lies adjacent to an established residential neighborhood between Ortega Avenue and S. Rengstroff Avenue.

Median Single Family Home Prices per Square Foot in the Eight-Block area adjacent to the Condominium Project: Jan., 2000 to June, 2004



Notes: Adjacent neighborhood encompasses roughly eight blocks between: California St., Showers Dr., Gabriel Ave., Leland Ave., S Rengstroff Ave.

Sources: First American Real Estate Solutions, Win2Data; Strategic Economics, 2004.

Finding:

Single family home prices increased sharply after construction of the sixty condos at 77 Ortega Avenue: during the first half of 2004 median single family home prices (on a per square foot basis) were more than double the 2002 median sales price.

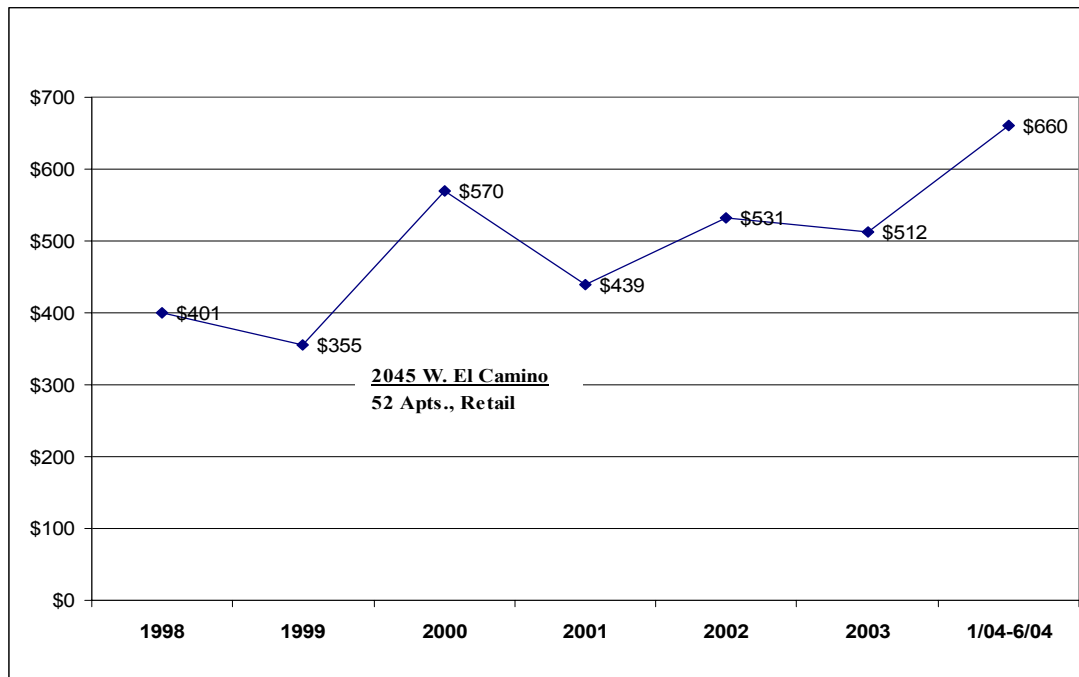
⁵ Exact local comparable examples do not exist to the knowledge of Strategic Economics and the City of Mountain View.

Gemello Apartments, 2045 W. El Camino Real, Mountain View



Constructed in 2000, there are a total of fifty-two units over retail at 2045 W. El Camino Real, between Clark Avenue and S. Rengstroff Avenue. The project is within the San Antonio neighborhood.

Median Single Family Home Prices per Square Foot in the Ten-Block Area Adjacent to the Apartment Project: Jan., 1998 to June, 2004



Notes: Adjacent neighborhood encompasses roughly eleven blocks between: W. El Camino Real, Distel Dr., Los Ninos Way, Alvarado Ave., Alicia Way, Creeden Way, Solana Dr., Morton Ct., and Clark Ave.
Sources: First American Real Estate Solutions, Win2Data; Strategic Economics, 2004.

Finding:

Subsequent to construction, single family home prices in the neighborhood behind the development increased by 50 percent from 2001 to mid-2004.

Avalon on the Alameda, Avalon at Cahill, Keeble Place Townhomes, Georgetown Townhomes near the Alameda in San Jose

Avalon on the Alameda, 1998



Two major apartment developments by Avalon were constructed in the St. Leo's/Shasta Hanchett areas near downtown San Jose: Avalon on the Alameda (302 apartments over retail) was built in 1998, and Avalon at Cahill (218 apartments over retail) was built in 2002. In addition to these large-scale apartment projects, Keeble Place Townhomes (20 units), and Georgetown Townhomes (94 units) were built and sold over 2002 and 2003.

Avalon at Cahill, 2002



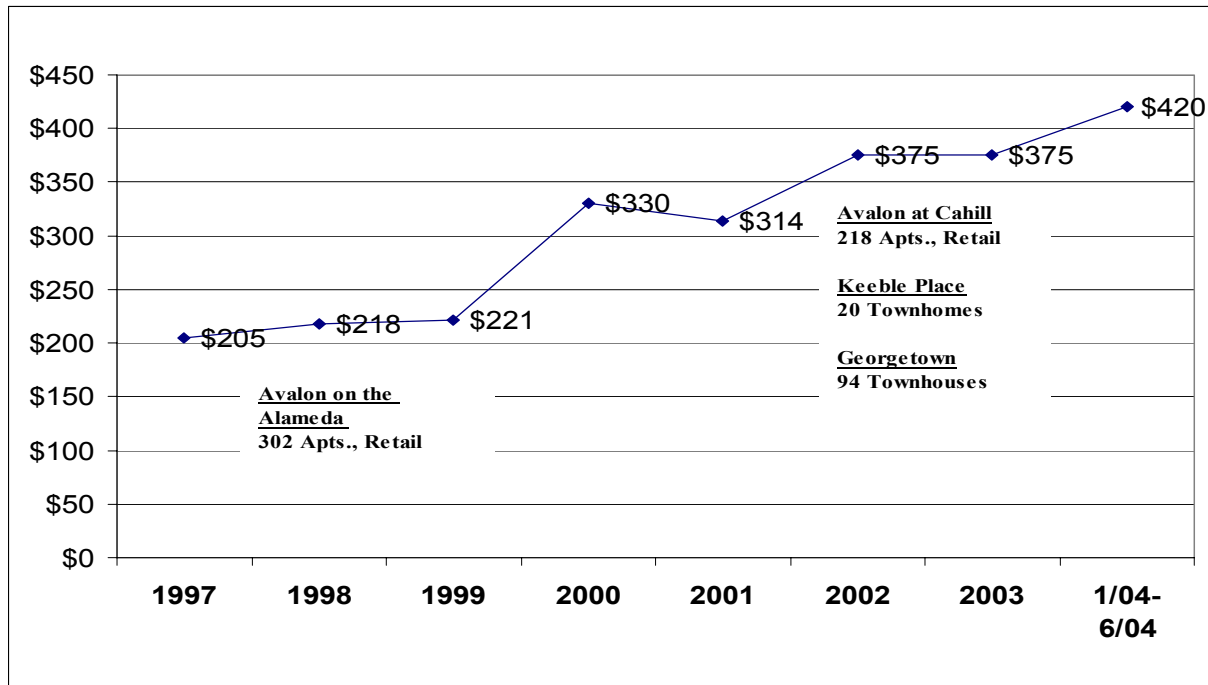
Georgetown Townhomes, 2002



Keeble Place Townhomes, 2002



**Median Single Family Home Prices per Square Foot in the Single Family Neighborhood Surrounding the Four New Major Attached Housing Projects:
Jan., 1997 to June, 2004**



Notes: Surrounding neighborhood encompasses roughly 1.5 square miles in the St. Leo's and Shasta Hanchett neighborhoods between Lenzen Ave., Shasta Ave., Park Ave., Montgomery St., W. Julian St., Stockton Ave.
Sources: First American Real Estate Solutions, Win2Data; Strategic Economics, 2004.

Finding:

Construction of over 600 units of rental and ownership housing in the Shasta Hanchett/St. Leo's Neighborhood have not hampered single family home price appreciation: sales per square foot in the area surrounding new development nearly doubled from 1998 to mid-2004.